

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. WRU-03-12-150 PGA- 03-5 PGA-03-10 PGA-03-12 PGA-03-16
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**ORDER DENYING WAIVER, CLOSING DOCKETS, AND
DENYING INTERVENTION**

(Issued July 3, 2003)

On March 14, 2003, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request to waive the rebuttable presumption in 199 IAC 19.16(5), which applies to the reserve margin that will be considered reasonable when obtaining natural gas to meet demand. The waiver request has been identified as Docket No. WRU-03-12-150. IPL included the purchase of additional contract demand capacity in its February, March, April, and May purchased gas adjustment (PGA) filings, Docket Nos. PGA-03-5, PGA-03-10, PGA-03-12, and PGA-03-16, respectively. Board review of the PGA filings indicated that the inclusion of the additional contract demand capacity could potentially exceed the standards in 199 IAC 19.16. The Board docketed the PGA filings to allow for further consideration of the request for waiver.

IPL filed the request to waive the rebuttable presumption in 199 IAC 19.16(5) and to be allowed to use a forecasting method rather than the historical seven-year

peak in determining capacity limits for its system. The subrule defines a capacity limit of 105 percent of the historical seven-year peak volumes as reasonable and allows that level of capacity costs to be recovered through the PGA. Costs above the limit are presumed to be unreasonable and cannot be recovered without Board approval.

On May 29, 2003, IPL filed additional information concerning the calculation of its purchased capacity and reserve margin. This information showed that IPL had included gas volume contracts in the calculation that should not have been included. Removing the gas contracts volumes brought IPL into compliance with the subrule.

Even though IPL is now in compliance with 199 IAC 19.16(5), it is still requesting a waiver because it believes that its forecasting method is the appropriate method to use to determine the amount of capacity to purchase for the IPL system. IPL argues that reserves should be evaluated on an individual pipeline basis using a design day firm gas peak forecast and that reserves cannot be shared between pipelines to serve customer demand. IPL indicates that it reserves pipeline capacity to meet the forecasted design day firm demand, not an historical peak that may have occurred up to seven years ago.

The Board has not allowed use of forecasting methods in the past because they are based upon subjective criteria and can easily be manipulated. The current rule ensures that customers only pay for a reasonable amount of reserve capacity, but purchasing capacity in today's market provides different opportunities than when the requirements in 19.16(5) were established and the Board has determined that

some modification of the requirement may be necessary to recognize current purchasing opportunities. However, the Board believes this issue should be addressed in a proceeding involving all regulated gas utilities, rather than in an individual waiver request. In addition, IPL has not shown that it has met the criteria of 199 IAC 1.3 for granting a waiver to allow use of a forecasting method. For example, there is no evidence that IPL will suffer an undue hardship if the waiver is not granted.

For these reasons, the Board will deny IPL's waiver request. Instead, the issue of pipeline capacity reserve will be addressed in a proceeding to be docketed by the Board to consider revisions to the PGA rules, including the determination of a reasonable capacity reserve.

On April 17, 2003, MidAmerican Energy Company (MidAmerican) filed a petition to intervene in Docket No. WRU-03-12-150. Since the Board is denying the waiver request and is reserving the issue for another proceeding, the Board will deny the petition to intervene. MidAmerican may become a party to the generic proceeding which will be established to address this issue and other issues involving the PGA rules.

Docket Nos. PGA-03-3, PGA-03-10, PGA-03-12, and PGA-03-16 were docketed to allow the Board the opportunity to determine if IPL was in compliance with 199 IAC 19.16. Based upon the additional information provided by IPL, the Board had determined that IPL is in compliance with the requirements of the rule and will, therefore, accept those PGA filings and close the dockets.

IT IS THEREFORE ORDERED:

1. The request for waiver filed by Interstate Power and Light Company on March 14, 2003, is denied.
2. The petition to intervene filed by MidAmerican Energy Company on April 17, 2003, is denied.
3. Interstate Power and Light Company's purchased gas adjustment filings for February, March, April, and May 2003, are accepted.
4. Docket Nos. PGA-03-5, PGA-03-10, PGA-03-12, and PGA-03-16 are closed.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 3rd day of July, 2003.